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THE NATIONAL FINANCES,

Currency, Banking, &c.,

By JAMES. GALLATIN,

BEING A REPLY TO

A SPEECH IN CONGRESS,

BY HON. SAMUEL HOOPER.

NEW YORK:
CLAYTON & MEDOLE, BOOK AND JOB PRINTERS,
Trinity Building, Thames Street.
1864.

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THE NATIONAL FINANCES.

NEW YORK, APRIL 20, 1864.

HON. SAMUEL HOOPER, Member of Congress,

Washington, D. C.

SIR—Having read, in the National Intelligencer, your speech, delivered in the House of Representatives, on the 6th instant, "on the necessity of regulating the currency of the country," I beg leave to call your attention to several errors therein, not only in regard to my own views, but also in regard to views which you yourself have expressed, as compared with those which you enunciated before your entrance upon the arena of party politics. But, before exposing these errors, it seems proper that I should, as I now do, protest against the species of attack which you have been pleased to make upon me in that speech. You have not quoted from my speeches or writings; you have given to the world certain charges against me upon mere hearsay, and unsupported by any authority; and you have attributed to me certain views and principles, without adducing any proof to support your assertions. You will, therefore, acknowledge the propriety of my protesting against your form of attack, under the circumstances in which the nation is now placed, for the sake of the public service. It is not my habit

to notice personal attacks of this description, and I should have passed yours by, (as the idle ebullitions of a distempered brain,) were it not for the position to which you have been elevated, as a member of the Committee of Ways and Means of the House of Representatives. Having no personal object of pursuit, and no partizan projects to subserve, I will never lend my hand to perpetuate in their positions any set of men, who may prove themselves evidently inadequate to the difficulties and dangers of those positions; and amid the dangers of the present crisis, I cannot be intimidated from expressing the solemn convictions of my mind, that our imminent perils, as a people, can only be averted by the union of the most approved talents and the highest characters of the nation, the only test being fidelity to the Union and the Constitution. I would ask you, if it is right or just, that in the absence of all regular and authentic information, statements should be made in Congress, grounded solely upon misrepresentations, or upon such illicit and incorrect information as may be received from agents, seeking to obtain special legislation from Congress?

You commenced your attack upon me, by asserting that "the Banks in the City of New York decided, in December, 1861, to suspend specie payments," by my "urgent advice;" and you repeated, that I "successfully urged the suspension of specie payments." This, certainly, is giving me credit for an influence or power which I was not conscious that I possessed; and you could not have ascribed it to me, had you reflected on the other assertion, which you made in the same speech, without giving your authority for it, that the Banks had overruled my views (by reconsidering and negativing a vote which was carried by my advice,) against

taking the seven-thirty loan; this assertion is, however, so far from the truth, that it must have originated in your own creative imagination. Now the fact is, that the Banks, by a vote of twenty-five to fifteen, (but not on my motion,) had resolved to suspend specie payments at the meeting you referred to, before I delivered the speech you alluded to in favor of suspension. And another fact is, that the following statement, quoted from your speech, as published in the National Intelligencer of April 7, 1864, is altogether a misrepresentation, and I appeal to the minutes of the meeting you refer to, in support of this contradiction of your assertions:

"At the time the loan was made in New York, on the "seven three-tenth treasury notes, Mr. Gallatin opposed it "at a meeting of the Bank managers, and insisted upon "Congress being again called together to raise the rate of "interest. After it had been voted not to take the seven "three-tenth treasury notes, Mr. Chase and Mr. Stevens, the "President of the Bank of Commerce, addressed the meet-"ing, and the vote was reconsidered. It was finally arrang-"ed to take the treasury notes with interest at the rate of "seven three-tenths. Without the influence of the Bank of "Commerce, that loan could not have been negotiated then. "The action of that Bank has been at all times favorable to "whatever the Secretary of the Treasury recommended, and "it has rendered invaluable assistance in all the negotia-"tions of the Department with the Banks."

The above is a fabrication from beginning to end.

It pains me to be compelled thus to deal with your statements, and to speak of them as I do; but it is due to truth, and to my own reputation. I freely and fully acquit you of any deliberate intention to do me wrong. I have no doubt you believed the statements made to you, in relation to

myself, and that you published them in good faith, to expose what you must have considered my exceedingly bad conduct. You are pleased to say that I seem "to have gone mad," which was certainly a very charitable remark, but not very consistent with your previous assertion, that my "urgent advice" controlled all the banks of this city, unless you considered that all their managers had also gone mad with me. As to who has "gone mad," you or I, it will be for the reader to determine, when he shall have perused your speech, and compared it with the facts here stated in reply to it.

I take no pleasure in stating any thing that may be deemed adverse to the pretensions of the Bank of Commerce, but I must be allowed to say that that bank had no more patriotism, and no more ability to take her share of the loan, than any other of the united banks; for she had to be assisted to take her share of the loan by the union of all the banks, they all uniting, as a single body, to help each other carry through the negotiation successfully; and I repeat it, that she could not have taken the share of the loan which she did take, if the other banks had not united to support her. For the truth of this assertion, I appeal to the facts existing and transpiring at the time the negotiation was matured and perfected. Your invidious reference to that bank is in striking harmony with the failure of the Secretary of the Treasury to acknowledge, in his Report of 1861, the service rendered by the banks of New York, Boston, and Philadelphia, in that dark hour of the country's history; and your attack upon the State banks, over and over again repeated in your speech, is very appropriately associated with the project in relation to their notes, the origin of which you attribute to Calhoun—the

father of nullification and secession—" to drive them out of existence."

As to the suspension of specie payments, at the close of December, 1861, you were probably not aware of the fact that the measure was forced upon us by the banking policy of the Secretary of the Treasury, and it was done to save the Government from the disgrace of suspending first! In his report to Congress, in the early part of that month, the Secretary had boldly foreshadowed his plans for destroying the very banks which had aided, and were still aiding, him with means to defend the liberties and the unity of the nation. He contemplated fully, to use his own words, " the great transition" which would inevitably follow the adoption of his new system; but he wholly overlooked the fact, that the coin which he had dispersed throughout the country could not be restored in time to realize his hope of founding his new banking system, upon what he termed " an adequate provision of specie;" and he subsequently, in his speech at Indianapolis, published in the *National Intelligencer* of October 20, 1863, said: " I borrowed all the gold there was in the country. In this way I obtained about one hundred and seventy-five millions of dollars in gold." He scattered it in all directions, in defiance of the repeated remonstrances of the most experienced bank officers, who urged him to avail himself of that provision in the law, passed at the extra session in the summer of 1861, authorizing him to employ the banks as depositaries, and by drafts and checks upon them, to avoid that displacement of the coin which he insisted upon. Had he used those checks and drafts, which serve as auxiliaries to the measure of value, and which are themselves cancelled or destroyed—when they have per-

formed their function of compensating services, or of exchanging commodities and property—the measure of value itself would not have been dispersed, as it was, and specie payments could have been preserved. That is my firm conviction; and in proof of it I need only refer to (what you certainly know very well,) the extent of financial transactions that can be carried on, under specie payments, without moving any coin whatever. We were not in a foreign war. The contest was, and is, within our own territory. The Secretary at that time, (December, 1861,) was using his "Demand Notes;" and in dealing with him, in paying him for his loans, the banks paid him in these notes, or in coin. At times the banks held considerable amounts of these notes. I may say it was in the power of the Treasury Department and the united banks, so intimate were their relations at that time, to cause either to suspend specie payments, had there been a disposition so reprehensible as that on the part of either. No, there was no such disposition. Seeing the determination of the Secretary to disregard the ordinary forms of banking, and to supersede the existing banks with a new creation—involving, as he said, a "great transition" in the financial policy of the whole country, and a general derangement of values—unable to procure a national system of banking which they could reorganize under without going into liquidation—the banks suspended payment themselves, rather than see the country disgraced by having the Treasury suspend first. And you know, as well as any living man, that the United States Treasury would have suspended specie payments long before the banks did, if the banks had not sacrificed all personal considerations by making the loans of 1861, and suspending first. Why, then—for what

purpose—do you endeavor to hold up that act of suspension, and those who supported it, to public odium and reproach? It is unworthy of you, and disgraceful to the excellent people of Massachusetts, who sent you to Congress!

The suspension of the Banks was delayed too long, in my judgment; for the act of suspension was a foregone conclusion, in the mind of every person conversant with financial affairs, from the moment the Secretary's declaration of war upon them was sent in to Congress, as it enunciated the entire overthrow of the financial systems of all the loyal States; and by delaying it to the close of the month, when he had drained the banks of a large portion of their coin, the risk of frightful panics in our large cities, incited by those enemies to the country, who subsequently fomented the calamitous riots in this city, was liable to be incurred at any moment; and I had experienced the full danger of this risk myself, in my humble efforts to allay the passions of excited congregations of the populace, around some of the newspaper offices. If I had had the power you ascribe to me, I would have had the banks suspend at the beginning, not at the close, of December, 1861.

I never asked, never expected, never proposed that the Secretary should "receive and circulate" the notes of the banks, although you state that this was the cause of what you are pleased to term my opposition to "the financial measures of the Government!" I urged him, and other bank officers urged him, to use checks, drafts and treasury notes—the last-named to be of small as well as large denominations—bearing interest, but not to be made a legal tender; so that those disastrous inflations of the currency, which

you have sustained and helped bring upon us all, by your support of the legal tender issues, might be avoided. That "financial knowledge and experience" which you refer to as urging on the legal tender issues, are now receiving their dreadful practical illustrations in all our marts of trade and finance. You have quoted this in your speech, from your own book on currency or money:

"If paper money is ever useful to a country, it can only "be in great emergencies; and it should be reserved as a "resource to supply the means for the defence of the coun- "try, when other resources are exhausted. At such a time "it may be used for the business transactions within the "country, to release the coin from that service, so that it "may be used by the Government in the exigency for the "common welfare."

This you term the "key note" to all you "have ever said or written on currency;" but how is it that you advocated in Congress, at the early beginning of this "great emergency," that which you say "should be reserved as a resource," 'when other resources are exhausted?" If you meant to assert that our "other resources" were "exhausted" when the legal tender issues were enacted in excess by Congress, I can only say that I entertain a very much higher opinion of our resources than you do. But there is another "key note" in your book, which precedes that you have quoted in the speech. As you did not quote that, permit me to. It is on pages 86 and 87, viz.:

"So far as paper money can be substituted for it, [coined "money,] the coined money becomes useless at home, and "will be exported. The paper money that supplies its "place, will be constantly fluctuating in amount, as the in-

" terest or convenience, the confidence or the fears, of those " who issue it may dictate. It therefore affords an unstable " and unjust standard, by which to measure the value of " property. * * * * all transactions of trading would prove " only a modified sort of lottery, in which the adventurers " would be quite at the mercy of the managers."

Yes, that is what you have aided to bring upon us—" a modified sort of lottery"—in the excessive issue of paper money; of which, in another part of your book, you say that it deprives " the mechanics and the laborers of their rightful share in the general prosperity of the country" by the high prices it creates, and in illustrating the effects of which, you refer to one of its victims who " died of a broken heart." If it can be said of any man that, in the words of your speech, " he knew the right, but still the wrong pursued," it may surely be said of one who could write a book depicting the horrors of paper money, and when he got to Congress, advocated and sustained excessive issues of it, at the beginning of a great emergency, although he explicitly declared that it should be reserved as a last resource, " when all other resources are exhausted." You say that I have " seemed sometimes to put the saddle on the wrong horse," but according to your own book, you have not " seemed to," but actually have, " put the cart before the horse," in helping to make paper money a first, instead of a last " resource."

And, now, because the banks use the currency which Congress made a legal tender—because they take, and circulate, and deal in a measure of values thus created by the Government, and forced on them by law—they are accused of adulterating the currency, and the cry of " taxation to drive them out of existence" is raised in Congress. Verily,

this is a cry of " stop thief," by the very authors of the mischief, although you " put the saddle on the wrong horse," when you charge that cry upon the banks, for it is not they who create the legal tender measure of value, in excess, but you, by your enacting it—in Congress. You make the law—the banks do not! You cannot escape the responsibility. It stands forth, on the record. The banks in this city paid their notes in coin, dollar for dollar, until Congress, by enacting the paper legal tender, perpetuated the suspension of specie payments. Why not censure the people for dealing in, and using, the legal tenders? It would be quite as rational, as to censure the banks, which are only dealers in money for the convenience of the people. Tax the issues of banks as you may, " drive them out of existence," as you say Calhoun—the author of nullification and secession—proposed to do at one time, you will, in doing so, reduce the volume of the currency only a fraction; because the great bulk of the circulating medium consists of Government legal tender notes. And your consistency with yourself is here strangely at fault; for while you propose to tax out of existence the paper money of the old banks, and refuse to advocate or favor the contraction of the issues of the Government, you advocate in the same breath the issue of three hundred millions of circulating notes by the new national banks. I have no objection to Government, if it will pay specie for its notes, taking the whole field of circulation to itself, because I have ever been opposed to paper money that does not represent coined money dollar for dollar, although you in your speech have asserted of me that before this war I " was one of the staunchest supporters of the system of bank notes for the currency of the country." I

defy you to prove that I ever advocated any other measure of value than that provided for in the Constitution, being real money. Your views and mine, before you were elected to Congress as a partizan politician, were identical on that point, as I can prove by your writings as well as my own—both being, as we were accustomed to say, "hard-money men." But now, you say, one of us has "*gone mad!*" No doubt of it!

I am perfectly willing to have the Government furnish the whole of the paper circulating medium of the country upon a specie basis, if that will afford any great assistance in suppressing this most wicked rebellion; but the cry against the banks is so evidently unfair, so transparent a cloak to cover up the delays of Congress to provide the requisite taxation, so plain an excuse for the neglect of the Secretary to keep down his excessive issues by a rapid funding of them in the long loans, that I cannot permit it to pass without exposing it. And in order to expose it most clearly, it is only requisite to appeal to a few simple facts, in relation to the quantity of "lawful money," or measure of prices, in use now, as compared with what it was before the legal tender paper money was authorized by Congress, at the suggestion or request of the Secretary of the Treasury, in such enormous volumes. In 1861, the "lawful money," or measure of prices, consisted of coined money. The amount of that in use in the loyal States, and employed by the banks, did not quite reach one hundred millions; and it was supposed that about as much more was circulating in the hands of the people. Two hundred millions, it was supposed, was about the total amount of coined money—lawful money, the measure of all prices of property

and commodities—in use by the people, the banks, and the Government, in the loyal States, before the suspension of specie payments, in 1861. This was the basis of all the prices of every kind of property. What is it now? The Acts of Congress having made the paper issues a lawful money—a "legal tender"—these have taken the place of coin as a measure of prices, and the sum total now issued and in circulation is more than six hundred and fifty millions of dollars, including those bearing interest. Thus the quantity of "lawful money" has been increased from two hundred millions to more than six hundred and fifty millions. This is the "key-note" to the speculations, high prices and manias, bank expansions and inflations, which we all see and deplore. Who, then, is the adulterator? Who caused the currency to be adulterated? Who makes this "lawful money?" Who refuses, or neglects, to lay taxes to call it in? Who neglects to fund it in the long loans, and to thus call it in from active use and circulation? Is it the people? or the banks? or Congress? or the Secretary of the Treasury?

These are plain questions, very easily answered. Every man can answer them for himself.

As to the project for the creation of new national banks, for the purpose of superseding those already in existence, under the plea that it was required to enable the Secretary to work his department successfully, we have already seen how he treated the law authorizing him to employ the old banks in 1861; and the fact that this creation and employment of "pet banks" is inflating and adulterating the currency still more, is passed over by you in silence, while all your denunciations are hurled at the old banks! It seems to have been a principle with you in that speech to denounce

the old banks, individually and collectively, for you mix up twenty-five banks of different States in a table, prefacing the table with remarks upon the New York Banking Law, and mixing them all up in your comments upon that law, although only six of the twenty-five are in this State.

To disprove your charges of excessive issues of notes, made against the banks of the State of New York, reference need only be made to a table, recently compiled by Hon. H. H. Van Dyck, Superintendent of the Bank Department of the State, showing the capital of and the quantity of circulating notes authorized to be issued by all the banks in this State, from which it appears that the authorized circulation is now one million one hundred thousand dollars less than it was in 1854, and he says that on the 12th of last month, the whole amount of the notes in circulation, of all the banks in this State, was less than thirty millions of dollars, although the amount which they were authorized to issue was nearly forty-three millions.

As to the banks of this City, in evidence of their conservative management, and their efforts to do all we can for the government, I submit the following returns of the condition of one with which I am personally acquainted, of its condition on the 15th August, 1861, and on the 15th April, 1864:

	August 15, 1861.	*April* 15, 1864.
Loans and Discounts	$1,390,252.96	52,312.46
United States Stocks and Treasury Notes	553,250.00	2,324,300.00
New York State Stocks	92,067.50	85,000.00
Capital	1,500,000.00	1,500,000.00
Specie	996,591.23	414,116.39
Circulation	119,779.00	23,444.00

There is *some* limit to our bank circulation in this State, by the restriction as to the kind of security to be lodged. It

is, however, true, that our New York system is not perfect, although the Secretary of the Treasury has appealed to it as his model for his new national plan. But the new National Law contains many of the worst features of that system, and omits some of the best. True, the total circulation of the national banks is limited to three hundred millions, but the capital may be made to reach nine hundred millions, without the use of any money whatever, as thus explained by yourself in your book:

"It is not necessary that any money should be paid by the "subscribers to the capital stock of a new bank. Their "subscriptions can be paid by checks drawn on the new "bank; and the discounts made on the same day for the "parties who have drawn the checks, being placed to their "credit, will make the checks good."

If a new banking and financial scheme, like this now proposed, be indispensable to one administration's successful management of the Government, why may not another administration claim the same right to upset this system, and put under way another "great transition" in property and finance? It was thus in some countries, in the middle ages, that "transitions" were made periodically, at the caprice of rulers, by seizing upon and adulterating the coined money, the Government confiscating the stocks of it wherever found, and paying for it in new coins bearing the same denominational "legal tender" value, but having very little of the intrinsic value, of the old coins. This destruction of the standard of value is one of the most deplorable consequences of an adulteration of the currency, whether it be done by debasing the coin, or by issuing paper in excess.

Daniel Webster spoke, as you have quoted in your speech,

of the robbery of the people by a depreciated paper currency; but you have remarked in your book that "individuals are often made rich by it;" and both these characteristics are, no doubt, more emphatically true of the excessive issues of "legal tender paper," such as you advocated and defend, than of any other paper currency, because its acceptance and use are compulsory upon all classes and conditions of the people. They cannot be compelled to take a depreciated bank note in payment of a debt, but the legal tender law compels them to take and use the issues which you voted for and sustain, no matter if the depreciation were so great that "a thousand dollars would no more than buy a breakfast."

You deplore the idea of withdrawing the excessive legal tender issues and funding them, because "the banks would issue so much more of their irredeemable paper;" but you forget that the banks would all break, or have to pay in specie, if there were not legal tender paper supplied to them by the Government issues; so that in your advocacy of the keeping up of the present issues of legal tender notes, you are, in fact, advocating the very means by which the banks would be enabled to make the excessive issues of their own notes! And yet you pretend to blame the banks for making the issues that you furnish them the means of making! Here are your own words:

"I would ask what other effect it could have, if the "Government should now fund and retire its issues of legal "tender notes, than to give greater opportunity to extend "the issues of the banks?"

Why, the "other effect," of course, would be to make the

banks stop their excessive issues. It is on your excessive issues of legal tender that they are all making their issues, it is upon the excessive issues of the legal tender that you have authorized the new banks to base their three hundred millions of circulating notes; but of these three hundred millions, as adulterators of the currency, you are silent as the grave! If you desire to stop all this inflation, if you are really in earnest, your quickest way is to "*now fund and retire*" the excessive issues of legal tender. You now, doubtless, understand this question better than when you made your speech; and although no one of us is too old to learn, it is among the remarkable occurrences of this eventful time, that the truths of monetary science, which have been so often illustrated in the history of nations, are now being taught to those in charge of our affairs, at a fearful cost to the people. All experience, all advice, all appeals to the truths of science have been lost upon the Secretary of the Treasury and the majority of Congress; and you, a writer on finance, have been led away, by some extraordinary means, to violate your own cherished principles, blinding the eyes of a majority of your associates in Congress to the plainest practical facts of monetary science! Having adulterated the currency and stimulated the banks with a plethora of the paper measure of prices, which by law you compelled them to take and use as money, you now denounce the banks for doing what you have compelled them to do, and cry out against them. A greater outrage than this was never perpetrated upon the common sense of mankind. Admitting that some of the banks are guilty of the outrageous expansion which you charge upon them, that does not lessen the enormity of the offence which you have committed, in

compelling them by law to place themselves in that condition, with the compulsory paper issues that you sanctioned and defend.

Your reference to the state of the banks, during the war of 1812, is in exceedingly bad taste at this time, when the sorrowful memories of the Hartford Convention should not have been revived, by your reference to the depreciation of the currency in some parts of the country during that struggle. But, bad as the currency was during the war of 1812, the greatest discount upon it, for specie, never equalled the discount we have witnessed during this year, as well as last year, upon the legal tender paper of the Government; for the heaviest discount known during or after that war, occurred at Baltimore, in 1816, when the paper money was quoted, for a short time, at twenty-three per cent. discount. Government has now, by law of Congress, acknowledged in bargain and sale, that in its legal tender currency there is sixty-five per cent. premium for specie; and the Secretary of the Treasury was recently here, watching the business which was carried on at the Treasury Office, at this rate of depreciation, in exchanging gold for his paper money. As to the state of the country during that war, it cannot serve any good purpose at this time to follow out your suggestions. I am at a loss to account for your recurrence to such a melancholy period of disaffection at home during a foreign war; and I must say that you, from your associations, should have been the last man to call up reminiscences of the refusal of a great section of the country to assist the Government, and of the treasonable menaces to the Union, which occurred during that contest with a foreign power. If it be true that Calhoun at that time proposed that Government should issue

legal tender paper money, you are perfectly welcome to make whatever capital you can, for the legal tender issues, out of a proposition then, you intimate, rejected by Congress—emanating from such a source—the source of those terrible calamities which are now upon our unhappy country.*

It remains yet to be seen whether you in Congress will have the courage to lay the proper taxes for supporting the Government through this war; or whether you will imitate the action of Congress during the war of 1812, in refusing to provide adequate taxation for the support of the national credit. You have been pleased to charge upon me a wish "to see repeated in this war, whatever was done then;" but, certainly, so far, the action of Congress being proof, it is evident that you entertain that wish yourself, measures of taxation occupying a much smaller share of your attention, than measures for making the next administration, or manufacturing political capital for the Treasury Department out of new banks, under your personal engineering. Taxation for supporting the national credit seems to claim quite as small a share of your own attention, as if you sat in the Congress of 1813. Your evident solicitude for the present and future popularity of the Treasury Department, and your evident "wish" to place the whole wealth of the country under the personal supervision of that department, "seems to," or "may account," for your very extraordinary anxiety to crush out one class of banks—"to drive them out of existence"—and to replace them with partizan and political pet banks, which shall be so many "key notes" for the *next Secretary of the Treasury* to play at will, for whatever purpose, or to whatever tune, his fancy may dictate.

* See note at the end of the letter.

Your pretence that patriotism forbad the Secretary of the Treasury to employ the old banks to aid in conducting the Government business, lest they should, as you say, "administer the Government," is very clearly exposed by your solicitude for the creation of *new banks* to aid in transacting that business, or to "administer the Government" hereafter. So, also, with the insinuation that you make against me, that I advocated his selling his bonds for the depreciated notes of the banks—this is not the fact, and I demand of you to prove it—your inconsistency is proved by the fact, that his and your new national bank notes cannot be exchanged for real money, even by your own law of Congress, at less than sixty-five per cent. premium for the coined money, at the Treasury counters. He is now issuing his ten-forty loan for the new national bank notes at that rate of depreciation. You cannot, or will not, understand that the old banks, here in New York, paid their notes in coined money until Government, by the act of Congress, which you defend, issued legal tender notes, and thus established suspension of specie payments by law. But your attempt to give the Secretary of the Treasury the very doubtful credit of originating the Legal Tender Measure, is another evidence of your want of care in ascribing measures or suggestions to their proper authors. It is an established fact, that the idea of the Legal Tender originated with MR. ERSKINE HAZARD, of Philadelphia, as early as 1839; and he has stated in a pamphlet, which he published some months ago, that he communicated it to the Secretary, soon after Congress met in December, 1861.

In your book on "Currency or Money," you have *condemned* the attempt made in England to compel the accounts

to be kept in legal tender paper by law. And you have also approved in that book of the course pursued by Russia, when the premium on real money became very high, of calling in the paper, at the rate of one hundred in coin for three hundred and fifty in paper. That I may not misrepresent you, I will give here what you say on these points:—

"The greatest mischief of a depreciation of a currency of "paper money, whether it is redeemable on demand in spe- "cie or not, is that it is constantly varying in value, by "changes in the amount of such money in circulation. This "operates with great injustice and great injury to the com- "munity, though individuals are often made rich by it. "Great injustice occurred towards the people in Russia, "when the paper money circulating as currency there was "allowed to depreciate to nearly one quarter of the value at "which it was first issued. It then represented the silver "rouble, equal to nearly eighty cents of our money. Not "being convertible on demand in specie, it gradually dimin- "ished in value, as increased quantities of it were issued, "until about four paper roubles were required in exchange "for one of silver. It would have been equally unjust to "have restored these paper roubles to their original value, "after the public had become accustomed to their deprecia- "tion, and had based all their transactions for years upon "that depreciated value. Being under the control of the "government, after the general peace of Europe, in 1815, "any further depreciation was prudently guarded against, "by regulating the amount in circulation, and adapting it "to a relative value with the silver coin, which was annually "declared, and which, though varying slightly in different "years, was usually about three and six-tenths of paper to "one of silver. It continued thus, for many years, to supply "the community with a currency of nearly uniform value. It "has since been entirely withdrawn from circulation, and

" new paper, convertible into specie on demand, was issued " in the place of it, of the same value as the silver coin of " the country, at the rate of one for three and a half of the " old paper roubles. The money of accounts was gradually " and easily changed. The people had become accustomed " to the difference of value between the old paper and the " silver rouble. They were not required to believe that " there was no difference, as was unwisely and ineffectually " attempted in Great Britain, during the suspension of spe- " cie payments. There it was made illegal to estimate in " payments any difference between the coin and the paper " money in circulation, although light guineas, which, being " below the standard weight, were not a legal tender, often " sold for more than thirty shillings of paper money."

Thus, (in 1855,) spoke Samuel Hooper, the "Merchant of Boston," in his book on "Currency or Money." Here (in 1864,) is what the Hon. Samuel Hooper, Member of Congress, says on the floor of the House:

" I would ask what other effect it could have if the Gov- " ernment should now fund and retire its issues of legal " tender notes, than to give greater opportunity to extend " the issues of the banks? As the Government withdrew " their legal tender notes, the banks would issue so much " more of their irredeemable paper."

Does this mean that we must go on "until a breakfast costs a thousand dollars," or, until like the Russians, we have to accept "one for three and a half?" for what "other effect it could have," if Government continues to refuse to " fund and retire its issues of legal tender notes," it is difficult to conjecture. But, as to destroying the old banks and their notes, let us now hear Hon. Samuel Hooper *versus* Hon. Samuel Hooper, he being the judge of what is best for their

interest, like the highwayman, who demands the purse of the traveller, without any explanation, save only that it is to preserve the traveller's life:

> I have said that the National Banking System was not inimical to the interests of the State Banks, but that the object of this law was to offer every facility and inducement to the State Banks to come in and avail of its benefits, and be subject to its control.
>
> [*Speech, April* 6, 1864.]

> The circulation of any notes as money that are not sanctioned by the national law, must be prevented by the enforcement of some stringent enactment.
>
> [*Speech, April* 6, 1864.]

This is persuasion, with the prospect of a terrible punishment, if it fails. If they "come in," the law as it now stands, makes them associates of, and places them with those which may be very much on the footing of what you call "wild cat" banks. If they stay out, you again repeat, as a threat Calhoun's idea of "taxation to drive them out of existence," although you say the law is "not inimical to their interests."

Why did you not manfully declare your determination at once, regarding the State banks, as General Jackson did in substance, in the case of the United States Bank—"*it must be destroyed.*" *He* never could have intimated in the same speech that he wanted to drive the United States Bank "*out of existence,*" by a law which was "*not inimical*" to its interests.

I am now compelled to expose one of your opinions, which has given me great uneasiness. I refer to what you have said in your book, as to the Russian paper roubles, the Government paying for them at the rate of one hundred in new roubles (payable in specie,) for three hundred and fifty of the old paper roubles; also, to what you have said of the British

Government attempting to keep the paper money at par with real money; and, also, to what you have said of continental money as a substitute for "*any scheme of taxation;*" and, finally, to your opposition at this time to any withdrawal of the excessive legal tender issues of our own Government. It is very evident that so long as you can permit yourself to advocate and defend these excessive issues, the use of which is made compulsory upon the people and the banks, you contemplate them as that substitute for "a scheme of taxation," which you refer to in your book. The rebel chieftains have made their paper issues such a substitute, in a mode which I call absolute *repudiation*. And I consider that the practical application of your theory of keeping up the legal tender issues, and adding three hundred millions of new national bank notes, will bring us to that shameful end. That you could permit yourself to contemplate such a melancholy result, it was impossible for me to believe, until I had fully studied the "key notes" of your book and your speech.

You say:

"Failing to persuade the Secretary to adopt his recommendation, Mr. Gallatin seems to have gone mad upon the absurd idea that all payments of the Government should be in coin, and that the State banks should make a hard money war and administer the Government. I regret to notice that some members of this House seem to be affected with the same insane idea."

It was the Secretary's "insane idea," not mine, "to get coin enough and fast enough," to make his disbursements in 1861; and when he got, as he said, "all the gold there was in the country," having scattered it, he insisted "upon the absurd idea that all payments of the Government should be"

in *legal tenders*, and you have sustained him in "the same insane idea," and insist upon keeping it up. As to the banks administering "the Government," our great offence "seems to have" been the adoption of the following resolution, immediately after we completed the arrangements for the loans, August 15th, 1861, and the sending of it to the President:

"*Resolved*, That this meeting, in assuming the grave re-
"sponsibility of furnishing means to sustain the Government
"in this important crisis, beg leave respectfully to express
"to the President of the United States, its confident expec-
"tation that the Government will, without respect to party
"or personal considerations, so conduct its affairs in every
"department of administration, as to ensure vigor, integrity,
"economy, and efficiency to the triumphant termination of
"the war."

That was the crime—the passage of that resolution—which "seems to have" called forth the edict "to drive them out of existence." You found no "party capital" in that resolution; nothing but the purest patriotism. It was all love of country. It was not in the interest of any clique. You could neither understand nor appreciate it; therefore you construed it into a monstrous attempt to "administer the Government," and this "insane idea" seems still to haunt you, and that numerous class of politicians which fattens upon the issues of the Treasury Department. You very well understand the nature of Government patronage, in times of war and paper money inflations. You have given in your book an account of the scenes witnessed in England, during the wars with Napoleon; for example, at pages 35, 36, and 37, you quote from some "writer" as follows:

"Enormous fortunes were made by contracts with the "Government for the supply of stores and provisions."

"As the paper money swelled in amount, the prices and "rates of every thing grew and rose apace; while the re- "ceivers of wages, the laborers, both agricultural and com- "mercial, were gradually depressed, the rates of wages gen- "erally not keeping pace with the advance of prices."

"The cottage of the grandfather was sometimes sold to "provide maintenance for the pauper grandchildren. And "at the end of the war in 1815, little of this property of the "industrious poor was left. During the time that enormous "fortunes were being realized by the trading classes, those "who do the labor of the country were gradually and silently "being stripped of all hold upon the soil, which, were it not "for them, would be worthless."

You add, in your own words:

"The quantity of paper money in circulation was con- "stantly fluctuating, and at the same time the prices of gold "and of property of every kind."

Also, you say, on page 38:

"Laws had been passed prohibiting, under severe penal- "ties, the taking of bank notes at less, or of coin at more, "than their nominal value."

Then, on page 39, you depict the horrors of the revulsion that followed, thus:

"Distress and bankruptcy extended to every part of th "country, and overwhelmed many of those who were with "drawn from trade, as well as those who were engaged in "the active pursuits of business. * * * * * "Eighty-nine country banks became insolvent."

And, yet, possessing a knowledge of all these facts of history, you stood up in your place in Congress a few days

ago, and advocated and defended the issues of legal tender paper money, that most powerful engine for inflating the currency, and creating wild manias of speculation. Nay, more than this, you advocated the creation of a new set of banks, with the power to issue *three hundred millions of paper money*, and to add nine hundred millions to the banking capital of the loyal States, at the same time deprecating the calling in and funding of the excessive issues of the Government legal tender paper! Your condemnation is written in your own book, at page 111, where you say of paper money:

"From its very nature it must be constantly fluctuating "in amount, and the changes must be comparatively abrupt "and excessive. The increase of it stimulates business, and "produces sudden and artificial enhancement of prices; but "the quantity of it is usually diminished even more suddenly "and unexpectedly than it was increased, causing often bank-"ruptcy and ruin to many."

You speak of the use made by the banks, of the gold from California, prior to the revulsion of 1857, as having produced that revulsion; and you assert that there was by the banks, "a misuse of the gold from California." You say "the same use is now being made of the legal tender currency." The Secretary of the Treasury said of this legal tender currency, in his last report to Congress: "Had it been possible to borrow coin enough and fast enough, for the disbursements of the war, almost, if not altogether, the same effects on prices would have been wrought," although in another place he said, in that report: "It is an error to suppose that the increase of prices is attributable wholly, or in very large measure, to this circulation." He labored, pre-

cisely as you do, to throw the blame upon the banks, although, more candid than you, he confessed that " almost, if not altogether," the same effects would have been produced by real money. If a *miracle* had produced that amount of real money, *another miracle* would have been needed to keep it in the country: the rise of prices caused by the circulation of it, *even if there were no banks in existence*, would have brought commodities to this country to be exchanged for it, and the excess of it, above the average of the currencies of the nations dealing with us, would have been exported, precisely as it is exported from California, where there are no banks, and where it is in excess, from the quantity of the metals constantly brought out of the mines. But legal tender paper is not " the currency of the world;" the excess of it cannot be exported, it remains with us, making our markets the best of all the world to sell in, the worst of all the world to buy in: it is, therefore, a false standard of value, as compared with the world's standard, and slowly, but steadily, drains us of our wealth, as a nation, exactly in proportion to the quantity of it in excess of the quantity which the world's standard requires us to hold and use. The extent to which our legal tender currency varies, as a standard of value, from the world's standard of value, is measured exactly by the rate of the foreign exchanges, and this rate determines the premium on gold. These are plain, practical truths, constituting the whole foundation of monetary science. Our patriot fathers knew and understood them perfectly, and hence they put into the Constitution a provision for the establishment of a standard of value, which Congress enacted, exactly as they enacted all the standards of measure and capacity; and I cannot believe that a legal tender paper

money can ever be constitutionally maintained as a substitute for that measure of value in real money, required by the Constitution. You have expressed a similar opinion yourself, on pages 86 and 87, of your book, declaring that as the quantity of paper money "will be constantly fluctuating," "as if the bushel, the gallon, the pound weight and the yard measure," were "constantly expanding or contracting their capacity or solidity," it "affords an unstable and unjust standard by which to measure the value of property." Hence it is, that in laying taxes, if you go on expanding the currency with legal tender, instead of funding the issues, you cannot depend upon the amount the Government will receive for the taxes; for the premium on gold going up steadily, carries with it the prices of every thing else, so that when gold is at one hundred premium, the paper dollar is worth only fifty cents, the expenditures of the Government and the national debt rising in proportion as the paper money sinks. All this you find practically illustrated in the accounts we see in the newspapers of the course of the rebel paper money, which, as you suggest in your book, (page 25,) has been substituted for a "scheme of taxation." Perhaps the rebels took the idea from your book. I trust, however, that your "scheme of taxation," through excessive issues of paper money, will not be permitted to throw its dangerous folds around the loyal people, who are so nobly defending the life and the integrity of our beloved country; for there are no circumstances that can possibly call for such a last "resource," except, perhaps, want of skill in the management of our financial affairs, or want of courage on the part of Congress to adopt the proper measures for sustaining our economical affairs upon a sound basis. The Secretary has

truly said, in his letter of this month, that taxation by Congress comes next to military successes, in sustaining the Government credit. Each is alike indispensable to prevent a fearful catastrophe.

It was easy to have so managed our national finances that the economical resources of the loyal States would have been invigorated, developed, and perpetuated, to the utter exhaustion of the comparatively inferior resources of the rebels; and the confession of the Secretary, that he has brought himself to a condition in which he contemplates serious consequences in his department of the Government, if military successes be not speedily forthcoming, is a melancholy one, at this stage of the contest, which has lasted little more than three years, during which he has had from Congress all he asked for. Such are the consequences of paper money. It is a scheme of living from hand to mouth, of petty expedients and make-shifts.

Let me beseech you, therefore, in the name of our common country, and for the sake of those who are to inhabit this great Continent as freemen, to rise above all partizan and individual considerations, in this trying hour. I believe most firmly that the liberties of all nations are identified with our success in speedily putting down this rebellion. We are fighting for human liberty all over the world. This struggle is not for us and our children, only; it is for all mankind.

You and I are passing away. Our ambitions, our resentments, our hopes and fears are approaching their termination. Our country now demands all the union and strength that skill and experience and power can furnish. Let us all give it our whole moral and material support, "without re-

gard to party or personal considerations." The result, under Providence, I confidently believe, will be the speedy overthrow of the rebellion, which alone can give us a triumphant and a lasting peace.

I remain, sir,

Very respectfully,

Your obedient servant,

JAMES GALLATIN.

NOTE.

The following facts require no comments:

" During the war of 1812, Albert Gallatin, then Secretary of the Treasury, recommended the issuing of Treasury notes, bearing an interest per day of 1½ cents per $100, '*to be given in payment of Public Supplies or debts due by the U. S. to such Creditors, or other persons only, as may choose to receive such notes in payment aforesaid.*' (Nile's Register, vol. 11.) His successor, A. J. Dallas, in recommending to Congress the establishment of a National Bank, to remedy the evils produced by the suspension of specie payments by the banks throughout the States, and their uncontrolled paper issues, closes his Report as follows:

" ' Whether the Issues of a paper Currency proceed from " ' the National Treasury or a National Bank, the accept- " ' ance of the paper in a course of payment and receipts " ' must be for ever optional with the Citizens. The ex- " ' tremity of that day cannot be anticipated when any *honest* " ' *and enlightened Statesman* will again venture upon the " ' desperate expedient of a tender law.' (Nile's Register, 17 Oct., 1814.)

" The Treasury notes issued during the war of 1812, under the system initiated by Albert Gallatin, were brought to a most successful and honorable liquidation on its close, by A. J. Dallas, who, on 15 June, 1815, issued a notice to the holders of Treasury notes, to present the same for payment. (Nile's Register, vol. 8.)

" In one of the darkest hours of the war, during 1814, Mr. Hall, of Georgia, offered the following resolution:

"'That the Treasury notes which may be issued, be a "'legal tender in all debts due, or which may hereafter "'become due, between Citizens of the U. S., or of any "'foreign State or Power.' (Nile's Register, vol. 7.)

"The House refused its consideration.

"*Paper money, called 'Bills of Credit,'* authorized by the Constitution of the Confederation, so demoralized and disgraced the nation, in a very few years, that it caused the dissolution of that Union which was solemnly declared perpetual, and led to the present Constitution of the U. S., (Federalist No. 15,) whilst paper money, (Treasury notes,) made receivable by Government in all its transactions with the public as *Cash*, and *optional* with the Citizens, *gold and silver being the only legal tender*, enabled the Government of the U. S. to carry through the war of 1812, and successfully and honorably to redeem those issues at par, immediately on the return of peace."

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